

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 274 – HB 499

April 6, 2010

SUMMARY OF AMENDMENT (015751): Deletes the language of the original bill. Defines "limited service restaurant" as a facility with a 40-person seating capacity where the sale of food represents 50 percent or less of the establishment's gross revenue. Authorizes establishments licensed as a "restaurant" to transfer their license to a "limited service restaurant". Authorizes the sale of alcoholic beverages for on-premises consumption at limited service restaurants.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Not Significant
Increase State Expenditures – Not Significant

Increase Local Revenue – Less than \$100,000
Increase Local Expenditures – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$70,800/ABC Fund/One-Time
Exceeds \$100,000/General Fund/Recurring
\$738,000/ABC Fund/Recurring

Increase State Expenditures - \$1,000/ABC Fund/One-Time
\$48,300/ABC Fund/Recurring

Increase Local Revenue – Exceeds \$14,000/Recurring
Increase Local Expenditures – Not Significant

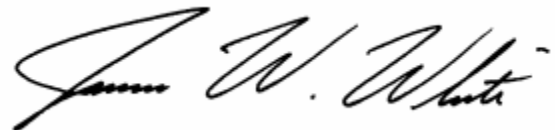
Assumptions applied to amendment:

- Licenses will be issued by the Alcoholic Beverage Commission (ABC) to qualified establishments in jurisdictions where the sale of alcohol for on-premises consumption has been approved.
- According to ABC, 231 current licensees holding a "restaurant" license will transfer their license to a "limited service restaurant" license.

- Based on information provided by ABC, the average license fee for a "restaurant" is \$892 resulting in approximately \$206,052 annual revenue to the State ABC Fund (\$892 x 231).
- The minimum license fee for a limited service license will be \$4,000 resulting in an increase in revenue to the State ABC Fund up to [\$717,948 (\$4,000 x 231) - \$206,052].
- Based on information provided by the Department of Revenue, there will be five new "limited service restaurant" licenses in the state resulting in an increase in revenue to the State ABC Fund of \$20,000 (\$4,000 x 5).
- Each license will require a one-time \$300 application fee resulting in a one-time increase in revenue to the State ABC Fund of \$70,800 (236 x \$300).
- ABC will not require additional agents to regulate or investigate the new licensees.
- ABC will require one new audit position to perform functions necessary for new licensees.
- The increase to recurring state expenditures for the one new audit position is estimated to be \$48,304 per year (\$32,484 salary; \$11,045 benefits, and \$4,775 other). The increase to one-time state expenditures associated with this position is estimated to be \$1,000 (computers, software, etc.)
- Based on information provided by the Department of Revenue, state sales tax revenue generated by each new "limited service restaurant" licensee will exceed \$20,000. Local sales and privilege tax revenue will exceed \$2,800 per licensee resulting in an increase to state revenue that exceeds \$100,000 (\$20,000 x 5) and local revenue that exceeds \$14,000 (\$2,800 x 5).
- Any cost to local government to inspect new licenses can be accommodated within existing resources and is estimated to be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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